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DEPT PLEASE PASS USTR FOR KIMBERLY CLAMAN AND MARK MOWREY
EEB/IFD/OIA FOR MICHAEL TRACTON
EUR/SE FOR PAUL MALIK

E.O. 12958: DECL: 08/13/2018

TAGS: [ECON](#) [EINV](#) [TU](#)

SUBJECT: NO TURKISH DECISION ON BIT RENEGOTIATION THIS YEAR

REF: A. A) ANKARA 894
[1](#)B. B) STATE 45743

Classified By: Economic Counselor Dale Eppler for reasons 1.4
(b) and (d).

[1](#)1. (C) SUMMARY. Turkey continues to tie prospects for renegotiation of its Bilateral Investment Treaty (BIT) to its EU accession process and views a wholesale renegotiation as unlikely. Turkish Treasury DDG for Foreign Investment Murat Alici described the 2004 Model BIT as an overly long, overly complicated document which &goes far beyond the principles of goodwill.⁸ He reiterated his earlier statement (ref A) that Turkey would follow the EC's recommendations on a new BIT, which he predicted would not be finalized until next year. He expected the EC to suggest that the BIT be updated with a Regional Economic Integration Organization (REIO) clause, but not that the treaty itself be renegotiated. He observed that no &major⁸ country has signed the new model BIT and that Turkey would need to see how the BIT functions in a European context before it could consider entering into renegotiations. END SUMMARY.

[1](#)2. (C) As described in Ref A, Econoffs delivered the demarche on renegotiating the BIT in Ref B to Turkish Treasury DDG for Foreign Investment Murat Alici on May 8. In a follow-up meeting on August 11, Alici noted that he had reviewed the 2004 Model BIT and that he was even more pessimistic than before on the likelihood that the GOT would renegotiate.

[1](#)3. (C) Alici reiterated that the GOT would take no decision on a new BIT until after the EC had completed its analysis of Turkey's existing treaties, which is part of the EU accession chapter on capital movements. He noted that this analysis would include an evaluation of the model BIT as well, but that he did not expect a final result until sometime in 2009. He also did not expect that the EC experts would recommend in favor of a new BIT, but rather would suggest that the existing BIT be updated to include a REIO clause, as was the case with Romania and the Czech Republic.

[1](#)4. (C) Alici described the 2004 Model BIT as a &highly unusual model treaty,⁸ noting that it was four times the length of the existing BIT. He was also surprised by the detailed provisions relating to sectors that he felt were not directly related to investment, such as the environment and labor (although he had no specific objection to any of the provisions themselves). He observed that the existing BIT seemed to be working well, and that while Turkey remains committed to creating a welcome investment environment, the model BIT &goes far beyond the principles of goodwill.⁸

[1](#)5. (C) Finally, Alici noted that Turkey would like to see the model BIT in practice in an EU context before committing itself to a renegotiation, as it does not want to endanger the EU accession talks. He mentioned that the only countries he knew of who had signed the model BIT were Uruguay and Rwanda, and pointed out that these were hardly economic

powerhouses.

16. (C) Comment: Turkey clearly is signaling that it will follow the EC,s lead on the BIT and that, in any case, it isn,t excited by the new model BIT text. A full-scale renegotiation thus appears very unlikely. If the EC does recommend next year that Turkey seek to amend the existing BIT to include a REIO clause, we may want to propose amending a few other individual sections of the existing BIT. Even in that case, we probably will need to show that similar provisions have been accepted by an EU-member country. End comment.

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